

**CREDIT SHELTER TRUST
VS. PORTABILITY – A
MATHEMATICAL EXAMPLE**

Assumptions

Married Couple in early 70's with 10 year life expectancy and expectation of assets doubling in value before second death.

Current Assets: \$8,340,000

Value of Assets on Second Death: \$17,340,000

All Assets have a zero income tax basis.

Capital Gains Tax Rate: 23.8%

Neither Spouse has used any of their \$5,340,000 exemptions.

One Spouse dies in 2014.

The estate tax exemption for the surviving Spouse will be \$8,000,000.

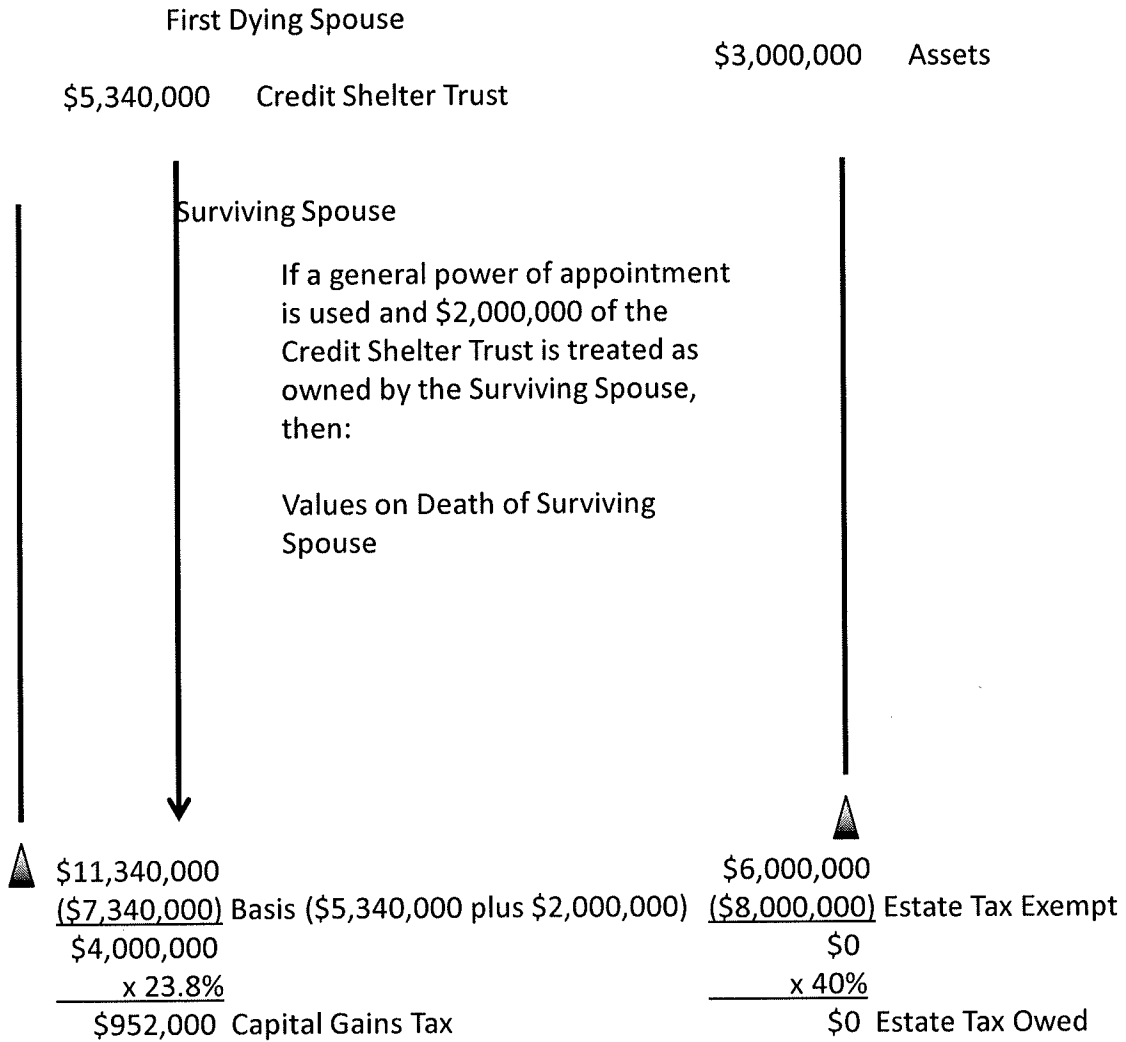
Portability will be available.

FULL FUNDED CREDIT SHELTER TRUST

First Dying Spouse	Surviving Spouse
\$5,340,000 Credit Shelter Trust	\$3,000,000 Assets
↓	↓
(Will grow to \$11,340,000)	(Will grow to \$8,000,000)
↓	
Values on Death of Surviving Spouse	
↓	↓
\$11,340,000	\$8,000,000
<u>(\$5,340,000) Basics</u>	<u>(\$8,000,000) Estate Tax Exemption</u>
\$6,000,000	\$0
<u> x 23.8%</u>	<u> x 40%</u>
\$1,418,000 Capital Gains Tax	\$0 Estate Tax Owed

Total Tax Owed \$1,428,000

FULLY FUNDED CREDIT SHELTER TRUST WITH BASIS STEP-UP



Total Tax Owed \$952,000

100% RELIANCE ON PORTABILITY

With Portability
Surviving Spouse Does
Not
Remarry

Loss of Portability
Surviving Spouse
Remarries
and New Spouse Dies
First
and has no Estate Tax
Exemption Remaining, or
Does Not Allow for
Portability

Values on Death of Surviving Spouse

<p>No Credit Shelter Trust \$17,340,000 Assets (\$8,000,000) Estate Tax Exemption <u>(\$5,340,000) Portability</u> <u>Allowance</u> \$4,000,000 x40% <hr/>\$1,600,000 Net Estate Taxes</p> <p style="text-align: center;">NO CAPITAL GAINS TAX</p>	<p>No Credit Shelter Trust \$17,340,000 Assets (\$8,000,000) Estate Tax Exemption <u>(\$0) Portability</u> <u>Allowance</u> \$9,340,000 x40% <hr/>\$3,736,000 Net Estate Taxes</p> <p style="text-align: center;">NO CAPITAL GAINS TAX</p>
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50% CREDIT SHELTER TRUST AND 50% PORTABILITY

